

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 SS-20 NSC-07 L-03

H-03 IO-14 TRSE-00 OMB-01 FEA-02 DRC-01 /108 W

----- 098461

R 051050Z APR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1603

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION BERLIN

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E.O. 11652: N/A

TAGS: ETRN, WG, WK, FR, WB

SUBJECT: CIVAIR: IGS FARE INCREASE

1. SUMMARY. IN APRIL 4 MEETING, BRITISH CAA TOLD US HE EXPECTS A BEA IGS FARE INCREASE APPLICATION WITHIN SEVERAL DAYS WHICH HE UNDERSTANDS WILL BE IDENTICAL TO PAA'S. WE BELIEVED FRG SHOULD BE BRIEFED AS SOON AS POSSIBLE SO THAT APPLICATIONS CAN BE DISCUSSED AT NEXT BCATAG MEETING TENTATIVELY SCHEDULED FOR APRIL 16. WE ARE MOVING AHEAD WITH GATHERING DATA ON AND EVALUATING IMPACT OF PROPOSED BERLIN AIRPORT FEES AND RENTALS AND HAVE URGED BRITISH TO DO THE SAME. ACTION REQUESTED: DEPT'S VIEWS REQUESTED ON SCENARIO GIVEN BELOW FOR MOVING AHEAD WITH FARE INCREASE APPLICATIONS.

2. IN A MEETING ON APRIL 4, BRITISH CAA GROVES TOLD US THAT HE EXPECTED BEA'S FORMAL APPLICATION FOR AN IGS FARE INCREASE WITHIN THE NEXT SEVERAL DAYS. HE HAD, HOWEVER, ALREADY BEEN INFORMED BY LONDON THAT BEA'S FUEL COST ESTIMATES WERE SUBSTANTIALLY HIGHER THAN PAA'S. TAKING INTO ACCOUNT DIFFERENT FINANCIAL YEARS

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AND FUEL CONTRACT DURATIONS, BEA CALCULATED THAT ITS

AVERAGE IGS FUEL COST AT PRESENT WAS ON THE ORDER OF US 66 CENTS PER GALLON AND LIKELY TO GO HIGHER. BASED ON ITS INITIAL CALCULATION, BEA BELIEVED THAT A FARE INCREASE OF CLOSE TO 16 PERCENT WOULD BE REQUIRED. AFTER CONSULTATIONS BETWEEN PAA AND BEA, HOWEVER, LONDON APPEARS TO HAVE DECIDED TO FOLLOW PAA'S LEAD AND APPLY FOR A 10.4 PERCENT INCREASE TO THE CARRIER, HOLDING OPEN, HOWEVER, THE OPTION TO APPLY FOR AN ADDITIONAL FARE INCREASE LATER IN THE YEAR. IN REACHING THIS "INTERIM" DECISION, BEA AGREED TO CALCULATE ITS FUEL EXPENSES ON A CALENDAR YEAR BASIS IN ORDER TO KEEP IN PHASE WITH PAA. AS FAR AS GROVES KNEW, BEA WOULD ALSO SEEK A MAY 1 EFFECTIVE DATE.

3. AS IN THE CASE OF PAA, BEA'S CALCULATIONS WILL NOT RPT NOT INCLUDE THE INCREASED RATES AND RENTALS AT BERLIN AIRPORTS APPLIED FOR BY THE BERLIN AIRPORT COMPANY (BFG). WE TOLD GROVES THAT WE HAD RECEIVED A FARILY DETAILED EVALUATION OF THE IMPACT OF THE INCREASES FROM PAA, BUT WERE STILL AWAITING SIMILAR MATERIAL FROM MODERN AIR TRANSPORT (MAT). GROVES SAID HE WOULD CONTINUE PRESSING BEA AND THE BRITISH CHARTER CARRIERS FOR FIRM DATA ON THE SUBJECT; ALTHOUGH, HE HAD GATHERED BEA MIGHT ACCEPT THE LANDING AND PARKING FEES (IF INTRODUCED IN NOVEMBER), BUT WOULD BE STRONGLY OPPOSED TO ANY INCREASE IN AIRPORT RENTALS.

4. WE HAVE BEEN PRESSING MAT TO GET ITS VIEWS TO US AS SOON AS POSSIBLE AND ASKED GROVES TO DO THE SAME WITH THE BRITISH CARRIERS, SINCE THE FRG WISHES TO HOLD A BCATAG MEETING AROUND THE 16TH OF APRIL AND HAS ALREADY MENTIONED BERLIN AIRPORT FEES AND RENTALS AS AN AGENDA ITEM.

5. WITH RESPECT TO THE FARE INCREASE, WE BELIEVE THAT THE CAA'S SHOULD BRIEF THE FONOFF BCATAG REP AS SOON AS POSSIBLE SO THAT THE SUBJECT COULD BE COVERED AT THE NEXT BCATAG MEETING. NOT TO DO SO WOULD, IN ADDITION TO COSTING TIME, RUN THE RISK OF FRG OFFICIALS LEARNING ABOUT THE APPLICATIONS FROM OTHER SOURCES. WE WOULD LIMITED OFFICIAL USE

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EXPECT THE GERMANS TO RAISE AIRPORT FEES AND RENTALS IMMEDIATELY UPON LEARNING OF THE FARE INCREASE APPLICATION, BUT WOULD TAKE THE LINE THAT THE CAA'S WERE MOVING AHEAD WITH THEIR EXAMINATION OF THE QUESTION WHICH IN ANY CASE REMAINED, IN OUR VIEW, A SEPARATE ISSUE FROM THE PROBLEMS FACING THE IGS CARRIERS AS A RESULT OF THE RAPID INCREASE IN FUEL COSTS. GROVES AGREED IN PRINCIPLE TO THIS APPROACH AND PROMISED TO

SEEK INSTRUCTIONS FROM LONDON AND URGE THE IMMEDIATE
SUBMISSION OF BEA'S APPLICATION.

6. THE FRENCH CAA, DE BOISSIEU, (OUT OF TOWN UNTIL
APRIL 8) WILL BE BRIEFED ON THE SITUATION AS SOON AS
POSSIBLE.

7. ACTION REQUESTED: DEPARTMENT'S VIEWS ON THE ABOVE
SCENARIO ARE REQUESTED. WHILE WE HAVE POUCHED PAA'S
APPLICATION, THE DEPARTMENT MAY WISH TO TRY TO OBTAIN
A COPY OF THE MATERIAL FROM PAA NEW YORK IN ORDER TO
SAVE TIME.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, AIR FARES, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN05559
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740077-0716
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740463/aaaacfot.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 01 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01-Aug-2001 by kelleyw0>; APPROVED <01 AUG 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: IGS FARE INCREASE
TAGS: ETRN, GE, UK, FR, WB, US, PANAM, BEA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005